

## Summary

- Ripple is a distributed open source payments network that enables:
  - Free global payments without chargebacks to anyone, anywhere
  - Ability to pay in any currency using the world's first distributed currency exchange
  - Open protocol that any developer can use without license, permission or fees
- The Ripple network enables the creation of a new currency called ripples
  - Like bitcoins, trust as a store of value is based on a math relationship of servers in a distributed network
  - New users receive free ripples when they create an account
  - Ripples are the native currency of the payment network. For example, they are used in lieu of transaction fees to prevent system attacks
- OpenCoin Inc. maintains the software and promotes the network
  - The company's business model is based on ripples gaining acceptance and value
  - The company does not control or direct transactions in any way



Proprietary and Confidential OpenCoin Inc. 2013

28

## Ripple Network Comparison to Bitcoin

- The Network includes a native currency called ripples or XRPs. 100 Billion XRP are created at inception – this amount can not be increased.
- Ripple currency focuses on the key attributes of trust, utility and liquidity better than Bitcoin, the other major math-based global currency



### **Equal to Bitcoin trust:**

- Amount can't be changed
- Math method currency

### **Better than Bitcoin trust:**

- Ledger consensus solves 51% attack problem

### **Better than Bitcoin utility:**

- Confirms in seconds vs. 10 plus minutes
- Allows any currency - BitCoin is Bitcoin only
- No blockchain scale limitation
- Can adopt Ripple in preferred currency

### **Improved liquidity:**

- Anyone can provide currency exchange
- Trade currency within network



Proprietary and Confidential OpenCoin Inc. 2013

29

## OpenCoin Inc. Regulatory and Legal

- Retained Perkins Coie to advise on regulatory issues
  - Dax Hansen, Partner in charge of Electronic Financial Services practice with expertise in electronic payments and virtual currencies
- Mitigating regulatory risks
  - We do not maintain the payments system or client on our servers. The product is a distributed open source platform that is not centrally controlled.
  - We will position the distributed design of the platform as entirely about cost reduction to consumers and merchants.
  - We will actively engage with law enforcement and only promote legal and constructive uses of the platform.
  - Bitcoin has operated for 3 years without much regulatory concern - the FBI and ECB have issued extensive reports on Bitcoin that were fairly neutral.



Proprietary and Confidential OpenCoin Inc. 2013

30

## OpenCoin Inc. Key Regulatory Issues and Tactics

- *Is OpenCoin subject to FinCEN duties as a money transmitter?*
  - While virtual currency regulation is still evolving, OpenCoin does not authorize payments, control transactions or operate the servers that run the network
- *Although currencies are specifically exempt from securities law, virtual currencies such as Bitcoin have not received designation as currencies. As such, is this new currency a security?*
  - Will not be sold to users or investors in the Corporation
  - Will be given away for free to users
  - Will only sell to licensed wholesale MSB's
- *Are we responsible for illegal uses of the platform?*
  - We will only promote legal uses
  - We will work closely with law enforcement to fight fraud and scams
  - Platform interfaces with the traditional banking system through 'Gateways', which are licensed MSBs and/or money transmitters

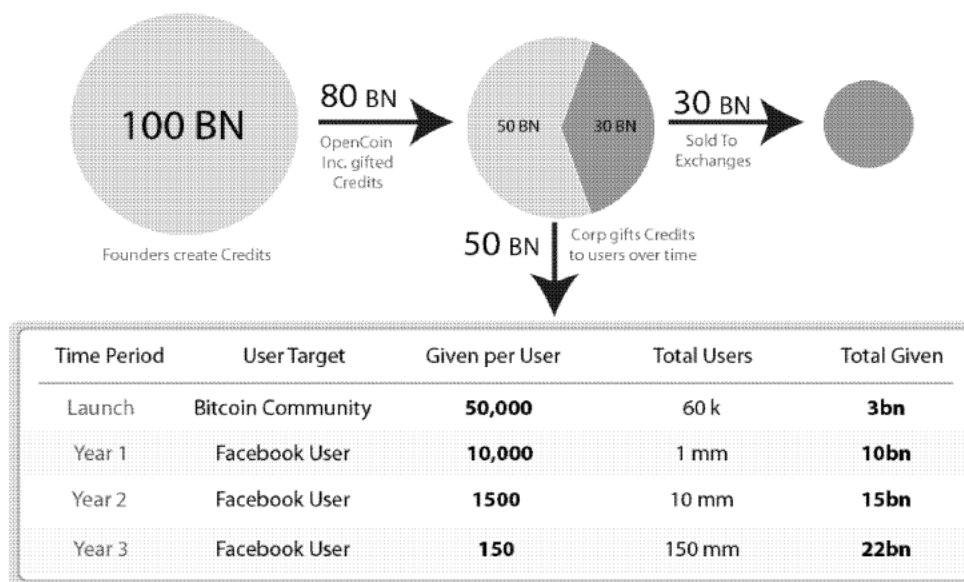


Proprietary and Confidential OpenCoin Inc. 2013

31

## The Ripple Network Distribution of ripples

- About half of all ripples will be given away. Regular users will receive the equivalent of about \$5 to \$10.
- Bitcoin users will receive larger gifts to encourage early support.



Proprietary and Confidential OpenCoin Inc. 2013

32

## Marketing Strategy

- Phase 1: Early Adopters – *at soft launch*
  - Existing Bitcoin users and merchants
  - Virtual goods purchases
  - Android In-app purchases
- Phase 2: Early Majority – *first year*
  - Begin giving away large amounts of ripples free of charge
  - International payments and transfers
  - Global e-commerce marketplaces
  - Emerging e-commerce payments platforms
- Phase 3: Late Majority – *at scale*
  - Mainstream merchants
  - Amazon, Wal\*mart



Proprietary and Confidential OpenCoin Inc. 2013

33

## Phase 1 Marketing: Bitcoin Community

### **Market Attributes**

- Approximately 100K to 250K users, some merchant penetration
- Need an easier way to pay with Bitcoins
- Should support Ripple providing early market activity
- Growing 3<sup>rd</sup> party developer community (e.g. BitInstant, BitPay, Coinabul)

### **Keys to success**

- Incent these users to support Ripple by giving them a special allocation of ripples
- Show developers that building apps for both Bitcoin and Ripple is complementary
- Emphasize usage of platform as a better way to use Bitcoins
- Use team's deep connections to the Bitcoin community



Proprietary and Confidential OpenCoin Inc. 2013

34

## Phase 1 Marketing: Online Gaming and Virtual Goods

### Android in-app purchases

- All top selling online games have In-App purchases
- In-App purchase penetration is very low on Android
- Google Play costs developers 30% of revenue



Only 3% of  
Android apps  
use in-app  
purchases.  
iPad has over  
10%

### Virtual goods resellers

- Larger virtual goods resellers make over \$100K per day
- Existing options are very expensive for the typically small items sold (often averaging \$1 or less)
- Charge back risk is very high
- Young and unbanked gamers don't have access to PayPal or credit cards



Proprietary and Confidential OpenCoin Inc. 2013

35



## Phase 2 Marketing: e-Commerce Global Marketplaces and Payment Platforms

### Global Marketplaces

- E-commerce Marketplaces are global in nature, but payment services are balkanized by country and region
- This is a real challenge for global services (e.g. Airbnb, Skype, oDesk)

### New e-Commerce Payment Platforms

- Companies like Stripe, Braintree, Balancedpayments are building innovative payments methods for e-commerce companies.
- These services are built on top of existing networks with high fees, charge-backs, account and geographic restrictions that hurt e-commerce growth and profitability

### Keys to success

- Integrate into payment option of e-commerce payments networks
- Allow e-commerce companies to give away ripples to new users



Proprietary and Confidential OpenCoin Inc. 2013

36

## Phase 2 Marketing: International Payments

### **International Transactions**

- High fees - \$45 bank to bank, 3% foreign debit card fees
- Very restrictive depending on the country

### **Key to success**

- Position as a lower cost payments system
- Build client apps that are extremely easy to use
- Encourage and promote 3<sup>rd</sup> party companies and apps that enable charge-back protection where needed



Proprietary and Confidential OpenCoin Inc. 2013

37

## The Ripple Network Open Source Example Client

- A Ripple client exists at [www.ripple.com/client](http://www.ripple.com/client) to demonstrate basic Ripple features like sending, receiving, and exchanging ripples or Gateway IOUs denominated in other currencies.
- The client is open source at [github.com](https://github.com) and can be used without license, fees or permission. We expect many third party clients to appear soon.



Proprietary and Confidential OpenCoin Inc. 2013

38